Jennifer Pafiti (SBN 282790)
POMERANTZ LLP
468 North Camden Drive
Beverly Hills, CA 90210
Telephone: (818) 532-6499
E-mail: jpafiti@pomlaw.com
- *additional counsel on signature page* -

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

GEORGE NUCKOLS, Individually and on Behalf of All Others Similarly Situated, Plaintiff, vs. SOLARCITY CORPORATION, LYNDON R. RIVE, BRAD W. BUSS, and TANGUY SERRA, Defendants	Case No.: **CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS** **JURY TRIAL DEMANDED**

Plaintiff George Nuckols ("Plaintiff"), by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief is based upon, among other things, his counsel's investigation, which includes without limitation: (a) review and analysis of regulatory filings made by SolarCity Corporation ("SolarCity" or the "Company"), with the U.S. Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and media reports issued by and disseminated by SolarCity; and (c) review of other publicly available information concerning SolarCity.

NATURE OF THE ACTION AND OVERVIEW

1. This is a class action on behalf of persons and entities that acquired SolarCity securities between May 5, 2015, and February 9, 2016, inclusive (the "Class Period"), against the Defendants

named herein, seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. SolarCity provides solar energy systems for commercial and residential use. The Company sells solar energy systems directly to customers, and offers financing. SolarCity also sells solar power lease contracts whereby the Company absorbs the cost of the solar panels and installation, but charges the customer for the power produced by the solar energy system.

3. On October 29, 2015, the Company announced in its Q3 2015 quarterly letter to investors that it was lowering its full year 2015 guidance, stating "we are estimating installations of 280 to 300 MW in the fourth quarter. . . . This is below the low end of our prior annual guidance . . . ." The Company further announced that it was lowering its target growth rate for fiscal year 2016 from 70% down to 41%. SolarCity also disclosed that MW Booked for the quarter was 345 MW, down from 395 MW Booked in Q2 2015.

4. On this news, the Company's stock price fell $8.42 per share, or 22%, to close at $29.65 on October 30, 2015, on unusually heavy trading volume.

5. On February 9, 2016, the Company issued its quarterly investor letter for Q4 2015. Therein, the Company disclosed that it fell short of its previously issued fiscal year 2015 installation guidance.

6. On February 10, 2016, the Company filed its Annual Report on Form 10-K for fiscal year 2015. Therein, the Company disclosed that it would no longer report its Nominal Contracted Payments metric. The Company also reported cumulative energy contracts quarter-to-quarter growth and cumulative customer quarter-to-quarter growth that fell far below the previously reported trend.

7. On this news, the Company's stock price fell $7.72 per share, or 29%, to close at $18.63 on February 10, 2016, on unusually heavy trading volume.

8. Throughout the Class Period, Defendants made materially false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) demand for the Company's products was weakening; (ii) the Company was concealing the weakening demand from investors; and (iii) as a result of the foregoing, Defendants' statements about SolarCity's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis.

9. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

10. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

11. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

12. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. In addition, SolarCity's principal executive offices are located within this Judicial District.

13. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

14. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, purchased SolarCity common stock, and suffered damages thereby.

15. Defendant SolarCity is a Delaware corporation with its principal executive offices located at 3055 Clearview Way, San Mateo, California 94402. SolarCity's common stock trades on the NASDAQ Stock Market ("NASDAQ") under the ticker symbol "SCTY."

16. Defendant Lyndon R. Rive ("Rive") was, at all relevant times, the Chief Executive Officer ("CEO") of SolarCity.

17. Defendant Brad W. Buss ("Buss") was, at all relevant times, Chief Financial Officer ("CFO") of SolarCity from prior to the beginning of the Class period until February 10, 2016. Buss remained an employee of SolarCity through March 31, 2016, and is now an advisor to SolarCity and is set to continue to be an advisor throughout the remainder of 2016.

18. Defendant Tanguy Serra ("Serra") became the CFO of SolarCity on February 10, 2016. Prior to becoming the CFO, Serra joined SolarCity in May 2013 as Executive Vice President of Operations, and became Chief Operations Officer ("COO") in February 2014.

19. Defendants Rive, Buss, and Serra are collectively referred to hereinafter as the "Individual Defendants."

SUBSTANTIVE ALLEGATIONS

Background

20. SolarCity provides solar energy systems for commercial and residential use. The Company sells solar energy systems directly to customers, and offers financing. SolarCity also sells solar power lease contracts whereby the Company absorbs the cost of the solar panels and installation, but charges the customer for the power produced by the solar energy system.

Materially False and Misleading Statements Issued During the Class Period

21. The Class Period begins on May 5, 2015. On that day, SolarCity issued a shareholder letter entitled, "SolarCity First Quarter 2015 Shareholder Letter." Therein, the Company, in relevant part, stated:

> Dear Fellow Shareholders:
>
> Entering 2015 with a strong start, SolarCity continued to drive significant growth in distributed solar energy deployment and create substantial value for shareholders. Bookings of 237 MW were at record levels, and installations of 153 MW surpassed our expectations and generated an estimated 11% Unlevered IRR (as defined below) and an incremental $147 million in Economic Value Creation to Equity (as defined below).
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> Our development engine continues to power our growth and value creation, and our existing portfolio of installed and contracted solar assets is generating a steadily growing cash flow stream. At the end of the first quarter of 2015, we had close to 218,000 customers, $3.1 billion of solar energy systems assets capitalized on our balance sheet, and $6.1 billion of Estimated Nominal Contracted Payments Remaining. Net Retained Value (as defined below)—the net present value of all net customer cash flows forecast over the 30-year lives of the systems *after* net debt outstanding—was $2.7 billion as of March 31, 2015.
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> We have accumulated a material sum of Net Retained Value in our short history to date, and we continue to create higher levels of value with our new installations in each new quarter. Based on our 2015 guidance, Net Retained Value could be growing at an annualized pace of more than $1 billion by the end of this year.
>
> **Growing Momentum in Sales and Installation Throughput**

- ***MW Booked:*** 237 MW (up 74% Y/Y); residential up 69% Y/Y
- ***MW Installed:*** 153 MW (up 87% Y/Y); residential up 108% Y/Y
- ***New Customers:*** 27,938
- ***Net Increase in Nominal Contracted Payments Remaining:*** $1.2 billion

In what tends to be one of our seasonally softer periods, our sales and installation teams delivered strong year-over-year growth in the first quarter of 2015 that exceeded our expectations. We booked a record 237 MW in the first quarter of 2015, up 74% year-over-year, for a total of 891 MW over the last twelve months. We experienced increased demand across all of our product offerings and the majority of our markets in the first quarter, as more new customers embraced the opportunity we provided them to switch to distributed solar and lower their utility bills with no upfront costs.

We added close to 28,000 new customers in the first quarter, and our Estimated Nominal Contracted Payments Remaining—an approximation of the revenue our lease/PPA/loan customers are expected to generate over the remaining life of their Energy Contracts—increased by a net $1.2 billion in the period. We view the increase in Estimated Nominal Contracted Payments Remaining as a better measure of our new sales activity than reported revenue, which is recognized over the life of the 20-30 year terms of our lease, PPA, and loan contracts.

Though we experienced the typical seasonal slowdown, in part due to winter weather on the east coast, our operations team powered ahead and installed 153 MW in the first quarter of 2015, up 87% year-over-year. Even with some of our key growth markets pounded by snow, residential installations grew 108% year-over-year to 139 MW. On many days, our installation crews literally dug their way to doorsteps and shoveled snow off rooftops to ensure many of our new east coast customers were able to go solar this last quarter. We can't express enough gratitude and appreciation for the diligence and dedication of all our operations teams—all across the country.

California remained our largest market and jumped to the highest portion of our installs since early 2012, and Arizona installations declined as compared to the second half of 2014, after Salt River Project [SRP] imposed anticompetitive penalties on new solar customers in an attempt to exclude rooftop solar. Our growing east coast states declined vs. Q4 2014 owing to weather but were up roughly 80% year-over-year to close to one-quarter of our total installations.

* * *

Q1 2015 GAAP Operating Results

For the first quarter of 2015, total GAAP revenue was $67.5 million and increased 6% compared to the first quarter of 2014. GAAP operating lease and solar energy systems incentive revenue was $54.8 million in the first quarter of 2015, up 88% year-over-year largely on growth in cumulative MW Deployed. Solar energy system sales and components revenue was $12.7 million. This includes MyPower solar loan revenue, which was not material in the first quarter of 2015 as it is recognized as customer payments are received over the life of the 30-year contract.

Operating lease and solar energy incentive gross margin was 41% including the impact of $4.3 million in amortization of intangibles. Solar energy system sales and components gross margin was (6%) due in part to the impact of upfront losses on projects recognized under the percentage of completion method, larger low margin commercial projects, and other one-time period costs. When solar energy system sale volumes are low enough, the allocation of indirect overhead (such as warehouse and fleet) costs will yield negative GAAP gross margins even though we target positive cash margins for all of our system sales.

Total GAAP operating expenses were $147.4 million, or $126.5 million excluding non-cash amortization of intangibles and stock compensation expense. Sales and marketing expenses grew 85% year-over-year to $86.7 million—including $6.7 million in non-cash amortization of intangibles and stock compensation expense—largely due to a 90% increase in our sales force over the last twelve months. G&A expenses of $48.7 million grew 47% on an increase in headcount, and R&D expenses grew 530% year-over-year to $12.1 million.

Non-GAAP earnings per share (EPS) was ($1.52). Please see below for an explanation and reconciliation of non-GAAP EPS and adjusted non-GAAP EPS.

Establishing Q2 2015 Outlook and Reaffirming Guidance for 2015 MW Deployed

While the first quarter of 2015 was impacted by the typical seasonal slowdown, we expect a resumption in installation volume growth to new records in the second quarter of 2015 as our operations continue to scale and weather improves on the East Coast.

For the second quarter of 2015, we expect ***MW Installed*** of 180 MW, which would represent year-over-year growth of 69% with residential growing north of 80%. While we now offer quarterly guidance on MW Installed, we reaffirm our full year guidance for 920 - 1,000 ***MW Deployed***.

> For Q2 2015 GAAP revenue guidance, we expect ***Operating Lease and Solar Energy Systems Incentive Revenue of $70 million - $74 million*** as we expect higher solar electricity production in the spring months along with higher operating lease solar assets deployed to drive strong sequential and year-over-year growth. ***Solar Energy System and Component Sale Revenue is expected to range between $16 million and $18 million***.
>
> ***Operating Lease and Solar Energy Systems Incentive Gross Margin*** is expected to range between 46%-50% (or 52%-56% excluding the impact of approximately $4 million in amortization of intangibles). Driven largely by an increase in sales investment, we expect ***Operating Expenses of $170 million - $177 million*** (including between $20 million and $25 million in non-cash amortization of intangibles and stock compensation expense). In turn, ***Non-GAAP Loss Per Share (before Income (Loss) Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests)**** is expected to range between ($1.60) – ($1.70).

22. On May 6, 2015, SolarCity filed its Quarterly Report with the SEC on Form 10-Q for the fiscal quarter ended March 31, 2015. The Company's Form 10-Q was signed by Defendant Rive, and reaffirmed the Company's statements regarding its operations, results, and prospects made in the investor letter issued May 5, 2015.

23. On July 29, 2015, SolarCity issued a shareholder letter entitled, "SolarCity Second Quarter 2015 Shareholder Letter." Therein, the Company, in relevant part, stated:

> Dear Fellow Shareholders:
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> With the second quarter representing the start of summer, we entered into one of the most productive periods of the year for SolarCity. Last quarter alone, we installed more rooftop solar capacity than we did through the first five years of our operating history and created incremental Economic Value Creation of $196 million for equity shareholders. Ending the quarter with 1.4 GW of Energy Contracts cumulatively installed and energy production at record levels, our contracted portfolio of installed solar energy systems generated $114 million in PowerCo Available Cash over the trailing twelve months, or $166 million excluding tax equity distributions.
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> * * *
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> **PowerCo Available Cash of $114M and Energy Production of 1.25 TWh over TTM**

- ***PowerCo Available Cash***: $114 million over trailing twelve months

- ***TTM Energy Production:*** 1.25 Terawatt-Hour (TWh)

- ***Cumulative MW Installed:*** 1,418 MW at the end of Q2 2015 up 86% year over year

- ***Cumulative Customers:*** 262,495 at the end of Q2 2015 up 86% year over year

- ***Estimated Nominal Contracted Payments Remaining:*** $7.7 billion at the end of Q2 2015 up 132% year over year.

Following the ninth anniversary of SolarCity's inception earlier this month, our PowerCo is essentially an accumulation of almost a decade of DevCo's installation and bookings growth and operates a sizable portfolio of distributed solar assets that is generating a steady stream of electricity, revenue, and in turn equity cash flow. As of June 30, 2015, we had 1,418 cumulative MW installed (1,325 MW of Energy Contracts), 262,495 Customers, $3.4 billion of capitalized solar energy systems assets, $7.7 billion of Estimated Nominal Contracted Payments Remaining and Net Retained Value for equity shareholders forecasted at $3.1 billion.

Over the twelve months through June 30, 2015, PowerCo's installed portfolio produced 1.25 Terawatt-Hour (TWh) of energy. As we entered the peak months of solar radiation in early summer, PowerCo achieved a record 6.5 GWh a day in June shortly after breaking through the 6 GWh per day record in May. Contract performance remains healthy with average energy production continuing to run ahead of projections, operations and maintenance expenses below forecast, and credit issues remaining relatively negligible.

Because our consolidated GAAP cash flows in any given period capture the integrated inflows and outflows of both PowerCo and DevCo, it is often hard to discern the true cash generation of the existing Energy Contracts we've already installed. To better highlight the core cash generation of our installed capacity under contract, this quarter we begin presenting PowerCo Available Cash as a key metric, which management believes is a better representation of our true business performance and represents the net levered cash flow to equity of PowerCo. Over the trailing twelve months, PowerCo Available Cash was $114 million of which a record $41 million was generated in Q2. Excluding distributions to our tax equity partnerships (whose remaining interest we expect to buy out at the end of the terms of the funds), PowerCo Available Cash was

$166 million over the trailing twelve months. We expect our trailing twelve months PowerCo Available Cash to continue to rise as DevCo consistently contributes more contracted MW to our PowerCo platform.

* * *

DevCo MW Volumes Rise to New Highs

- ***MW Installed:*** 189 MW (up 77% Y/Y); residential up 86% Y/Y
- ***MW Booked:*** 395 MW (up 81% Y/Y)
- ***New Customers:*** 44,900
- ***Net Increase in Nominal Contracted Payments Remaining:*** $1.6 billion, up 93% Y/Y
- ***DevCo Cost:*** $2.91 per watt, down (3%) Y/Y

As PowerCo represents steady-state cash flow, DevCo represents the growth in PowerCo's contracted and installed assets. In the second quarter of 2015, DevCo delivered record results. Following the seasonal declines we experienced in Q1 2015, we installed a record 189 MW as California grew 97% Y/Y and East Coast states not only rebounded from the seasonally slower winter months in Q1 2015 but grew as a whole 187% Y/Y to almost one-third of our installations in the quarter. We ended the quarter with 77 operations centers up and running with average throughput per operations center at a new high. Residential throughput in June grew significantly over May with 19 of our operations centers completing over 1 MW and 76 crews installing over 200 kW for the month. Congratulations to our top crews last quarter—*Olds 442*, *Road Runner*, and *Chevelle*—each of which installed over 300 kW in June.

Laying the groundwork for the step-up in installations we are targeting in the second half of the year, our sales output took it to the next level with a record net 395 MW Booked in the quarter. Our sales strategy to canvas, educate, and penetrate viable solar markets continued to bear fruit. Demand remained as strong as ever in California, continued to gather significant steam in the northeast markets of New York, Massachusetts, and Connecticut, and gained early traction following the launch of sales in Rhode Island and New Hampshire. We also entered the Minneapolis-St. Paul, MN market where we introduced our first community solar offering. For the first time, we are offering our solar service to those who live in rental units, condos, and low income housing, expanding our addressable market to a broader set of new customers who are seeking to lower their energy bills by going solar. For Q2 2015, we added 44,900 new

customers, and our Estimated Nominal Contracted Payments Remaining—an approximation of the revenue our lease/PPA/loan customers are expected to generate over the remaining life of their Energy Contracts—increased by a record net $1.6 billion in the period. We view the *increase* in Estimated Nominal Contracted Payments Remaining as a better measure of our *new* sales activity than reported revenue, which is recognized over the life of the 20 – 30 year terms of our lease, PPA, and loan contracts.

All in, total Cost per Watt in the second quarter of 2015 declined (3%) Y/Y and (1%) sequentially to $2.91 per watt. Aided by greater scale and efficiencies in residential, blended installation cost declined (7%) Y/Y to $2.13 per watt, albeit increasing by $0.04 per watt Q/Q on a greater mix of higher cost/higher revenue commercial projects. Sales costs declined Q/Q to $0.53 per watt as investment in the first half of the year paid off in a big uptick in bookings. G&A costs of $0.24 per watt declined (8%) Y/Y and (11%) sequentially. Reconciliation of our cost per watt to our GAAP financial statements is available on the investor relations section of our website (at investors.solarcity.com).

* * *

Q2 2015 GAAP Cash Flow and Operating Results

While we generally target running our business while producing Year One cash, our reported GAAP cash flow is typically negative in a given period owing largely to the difference in timing of investing and financing cash flows. As we consume cash in the development and working capital investment for each new installation, we often will not receive the entire projected project financing for a few quarters subsequent to the installation.

As of June 30, 2015, cash, cash equivalents, and short-term investments totaled $489.1 million. Cash and investments declined $86.7 million over the prior three months largely due to this differential in timing of investing and financing cash flow. Total investing cash outflows were $380.3 million—including $52.3 million in capital expenditures for our manufacturing facilities. Total operating cash outflows were $140.6 million driven largely by $31.7 million in working capital investment, as well as continued development investment in sales, general and administrative expenses. Financing cash flows (excluding equity issuances and options exercises) totaled $491.9 million, offsetting only a portion of the $520.9 million in total operating and investing cash outflows largely due to the timing of debt financing, as we do not expect to fully debt finance our Q2 investment for another quarter or two. As such we ended the quarter with a Financing Receivable estimated to be $660 million.

For the second quarter of 2015, total GAAP revenue grew 52% sequentially and 68% Y/Y to a record $102.8 million. GAAP Operating Lease and Solar Energy Systems Incentive Revenue was $78.3 million, up 81% Y/Y, largely on the increase in cumulative MW Deployed under an Energy Contract. Solar Energy System Sales and Components Revenue was $24.5 million, including $8 million in MyPower solar loan revenue, which is recognized as customer monthly payments, as well as periodic rate reduction payments are received over the life of the 30-year contract.

Operating lease and solar energy incentive gross margin was 52% including the impact of $4.2 million in amortization of intangibles. Solar energy system sales and components gross margin was 10%.

Total GAAP operating expenses were $175.8 million, or $155.8 million excluding non-cash amortization of intangibles and stock compensation expense. Sales and marketing expenses grew 103% year-over-year to $113.2 million—including $9.4 million in non-cash amortization of intangibles and stock compensation expense. G&A expenses of $50.2 million grew 31% on an increase in headcount, and R&D expenses grew 313% year-over-year, and 2% sequentially, to $12.4 million, largely on spending on our module manufacturing operations ahead of production at our CTC in Fremont and our 1-GW facility in Buffalo.

Non-GAAP earnings per share (EPS) was $1.61. Please see below for an explanation and reconciliation of non-GAAP EPS.

Q3 2015 Outlook and Guidance for 2015 MW Installed

Following the ramp in bookings and installation capacity in Q2 2015, we exited the quarter at a monthly run rate that provides us with confidence in a significant step-up in our quarterly pace of installations. For Q3 2015, we expect to install a record 260 MW, representing growth of 89% year-over-year. For the full year 2015, we are updating our guidance to 920 – 1,000 MW Installed (vs. 920 – 1,000 MW Deployed previously). We consider a system (a) "installed" essentially when construction is completed by SolarCity and (b) "deployed" after Administrative Housing Judge [AHJ] inspection. Systems are typically inspected by numerous third parties one to several weeks after installation, and thus deployments tend to be lower than installations during periods of high growth. Because we are scaling our operations at a much faster pace than AHJs are scaling their inspection teams, inspection times are growing longer and we are experiencing greater difficulty in forecasting their timing. Nevertheless, our pace of installations is still coming in line with our original forecast at 920 – 1,000 MW, implying year-over-year growth of between 83% and 98%. Going forward, we plan on basing all of our MW forecasts on installations rather than deployments.

> For Q3 2015 GAAP revenue guidance, we expect ***Operating Lease and Solar Energy Systems Incentive Revenue*** of $80 million – $86 million, up 59% Y/Y at the midpoint. ***Solar Energy System and Component Sale Revenue*** is expected to range between $26 million and $28 million.
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> ***Operating Lease and Solar Energy Systems Incentive Gross Margin*** is expected to range between 46% - 50% (or 50% - 54% excluding the impact of approximately $4 million in amortization of intangibles). Driven largely by an increase in sales investment, we expect ***Operating Expenses*** of $210 million – $225 million (including between $22 million and $26 million in non-cash amortization of intangibles and stock compensation expense). In turn, ***Non-GAAP Loss Per Share (before Income (Loss) Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests)**** is expected to range between ($2.05) – ($2.15).
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> **Ramping Up for a Strong Close to 2015 and Solid Growth in 2016**
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> Earlier this month, we celebrated our ninth anniversary and over that stretch, we have grown from installing less than 1 MW per quarter to our current plans of ~260 MW for Q3 2015. Entering into our 10th year, we plan on closing out our first decade with greater strength, momentum and record results as well as set the stage for continued strong growth for 2016 and beyond as we continue to grow significantly in the US and also begin our international expansion.
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> Our portfolio of distributed solar assets has now grown large enough to generate PowerCo Available Cash that is poised to continue to grow in subsequent years—even without new DevCo MW—because of a 2% blended escalator and high initial tax equity cash distributions that are scheduled to roll off over the next seven years. With the growth we foresee next year and into 2017 and beyond, we strive to drive annualized PowerCo Available Cash to steadily higher levels in the years ahead.
>
> With our one million customer goal by mid-2018 well within reach and our cost goal in 2017 supporting healthy unlevered IRRs even with a 10% Investment Tax Credit, we expect strong tailwinds to PowerCo Available Cash in the years ahead. A revolution in the way we generate and consume energy in this world is at hand, and we thank all of our customers, employees, advocates and shareholders for making that possible.

24. On July 30, 2015, SolarCity filed its Quarterly Report with the SEC on Form 10-Q for the fiscal quarter ended June 30, 2015. The Company's Form 10-Q was signed by Defendant Rive, and

reaffirmed the Company's statements regarding its operations, results, and prospects made in the investor letter issued July 29, 2015.

25. The above statements contained in ¶¶21-24 were materially false and/or misleading, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, these statements were false and/or misleading statements and/or failed to disclose that: (i) demand for the Company's products was weakening; (ii) the Company was concealing the weakening demand from investors; and (iii) as a result of the foregoing, Defendants' statements about SolarCity's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis.

26. On October 29, 2015, SolarCity issued a shareholder letter entitled, "SolarCity Third Quarter 2015 Shareholder Letter." Therein, the Company, in relevant part, stated:

> Dear Fellow Shareholders:
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> In the third quarter of 2015, SolarCity reached two major milestones. First, we officially launched our international expansion with our first installations in Mexico. Second, we became the first solar company to reach 1 GW in annualized distributed solar installations in the U.S.—and likely the world. During the quarter, we installed 256 MW of distributed solar at what we believe is an industry-leading, record low cost of $2.84 per Watt, and generated incremental Economic Value Creation of $239 million for our equity shareholders. Ending the quarter with 1.6 GW of Energy Contracts cumulatively installed and energy production at record levels, our contracted portfolio of installed solar energy systems generated $112 million in PowerCo Available Cash over the trailing twelve months, or $171 million excluding tax equity distributions. Moreover, we entered into the final quarter of 2015 with quarterly installations at a pace of ~280 MW plus a backlog stretching well into 2016.
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> **PowerCo Platform Growing Rapidly**
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> - ***PowerCo Available Cash***: $112 million over trailing twelve months
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> - ***TTM Energy Production:*** 1.5 Terawatt-Hour (TWh), up 75% year-overyear

- ***Cumulative MW Installed:*** 1,674 MW, up 86% year-over-year
- ***Cumulative Customers:*** 298,030, up 77% year-over-year
- ***Estimated Nominal Contracted Payments Remaining:*** $8.9 billion, up 115% year-over-year

As we introduced in our Q2 2015 shareholder letter, our DevCo growth engine books new customers and installs thousands of new systems every week, and our PowerCo portfolio of contracted solar installations generates a steady stream of energy, revenue, and cash flow over the estimated 30-year useful lives of our systems. DevCo represents growth and investment and PowerCo represents the long-term return on that investment.

Over the twelve months through September 30, 2015, PowerCo's installed portfolio produced 1.5 Terawatt-Hour (TWh) of energy, up 75% year-over-year, and achieved a record 6.6 GWh day in July. Average FICO scores for PowerCo's residential customers as of the end of the quarter exceeded 750. More importantly, customer payment performance across the portfolio was not only strong but superior to other consumer asset classes. Energy production and maintenance expenses are also both coming in better than initially forecast.

We introduced a new metric in Q2, PowerCo Available Cash (PAC), which represents the net cash flows generated by PowerCo's contracted and installed solar system portfolio. PowerCo Operating Cash Flow – before distributions to tax equity partners and the payment of interest and debt—was $215 million over the trailing twelve months through September 30, 2015. PowerCo Available Cash, after distributions to tax equity partners and the payment of interest and debt, was $112 million. Because PAC represents the underlying cash flow generation of our contracted installations, annualized PAC should grow along with new MW Deployed. However, trailing twelve months PAC in Q3 2015 declined quarter-over-quarter due primarily to two factors largely related to the timing of financing payments. First, many of our main interest and debt repayments occur every six months rather than every quarter, which, combined with an increase in PowerCo debt over the last 12 months, led to a $10 million increase in debt service as compared to the year ago quarter. Second, payments from financing partners for certain of our lease pass-through funds also occur every six months, resulting in an $8 million decline vs. the prior period. Combined, Q3 2015 PAC was impacted by $18 million owing to the timing of certain financing payments, and our normalized PAC continues to growth on a year-over-year basis.

DevCo Crosses Annualized Run Rate of 1 GW in Installations in 3Q

- ***MW Installed:*** Record 256 MW, up 86% year-over-year; residential up 69% year-over-year

- ***MW Booked:*** 345 MW, up 50% year-over-year

- ***Net Increase in Nominal Contracted Payments Remaining:*** $1.2 billion, up 47% year-over-year

- ***DevCo Cost:*** $2.84 per Watt, down (2%) year-over-year

- ***Unlevered IRR:*** 12% forecast from Q3 2015 installations based on all-in costs including SG&A

PowerCo represents steady-state cash flow, and DevCo represents the engine that drives the growth in PowerCo's contracted and installed assets. In the third quarter of 2015, DevCo delivered record throughput in distributed solar installations with 256 MW Installed, the equivalent to an annualized rate over 1 GW. Not only did this translate into growth of 86% year-over-year but it represented growth of 35% as compared to the prior quarter. Q3 2015 MW Installed was below guidance by 4 MW, or approximately a day and a half's worth of installations.

California remained our No. 1 state, and the East Coast continued to be our second most important geographical area with approximately one-third of total MW Installed and growth of 112% year-over-year.

Exiting the quarter with over 90 facilities supporting thousands of installers, sales, and service personnel across the country, we have built what we believe to be the largest and most efficient rooftop installation operation in the world. Our top crews—*Ramses*, *Sigma*, and *Oceanus*—deserve particular recognition.

Continuing to set the stage for our growth in 2016, our sales activity outpaced our installations by a wide margin with 345 MW Booked and 35,535 new net Customers added in the quarter. This represented a decline compared to the 395 MW Booked in Q2 2015 owing in part to the implementation of a new cancellation policy. Previously, we automatically cancelled uninstalled contracts that had been inactive for 120 days. We have updated the inactive policy to 90 days for two reasons: (1) as an efficiency measure, so that our customer account management team's processes will be focused on our active customers, and (2) to better align the metric with our quarterly reporting period. This impacted MW Booked by ~35 MW, and if we had maintained our prior cancellation policy, we would have booked 380 MW, up 65% year-over-year. Bookings are

tracking very well for Q4 and we expect to be at or near our Q2 high again.

Our Estimated Nominal Contracted Payments Remaining—an approximation of the revenue our lease/PPA/loan customers are expected to generate over the remaining life of their Energy Contracts—increased by a net $1.2 billion in the period. We view the *increase* in Estimated Nominal Contracted Payments Remaining as a better measure of our *new* sales activity than reported revenue, which is recognized per GAAP over the life of the 20 – 30 year terms of our lease, PPA, and loan contracts.

Total Cost per Watt in the third quarter of 2015 declined to a new record low of $2.84 per Watt. Aided by greater scale and efficiencies in residential, our blended installation cost declined (12%) year-over-year and (10%) quarter-over-quarter to $1.92 per Watt. This represents a new record not only for SolarCity but most likely for the industry as well. Though only $0.02/W away from our 2017 installation cost goal, we expect continued improvement from here. Notably, our commercial installation costs are currently higher than our residential, and as we scale up our vertically-integrated commercial installations, we expect to achieve new lows soon. Sales costs increased quarter-over-quarter to $0.64 per Watt in part due to continued investment in sales as well as a ~$0.03 per Watt increase from the one-time change in our cancellation policy discussed above. We expect our sales costs to decrease in Q4 2015 and into 2016. G&A costs were $0.27 per Watt, rising 29% year-over-year largely on investment in our steady state infrastructure and IT support systems. That investment is nearing completion and we expect to level out and improve on a $/Watt basis going forward. R&D costs rose to $17.7 million primarily due to investments in our module, cell, battery and software initiatives. Cost management is a focus for all departments and we are committed to lowering our costs even further in 2016. Reconciliation of our cost per Watt to our GAAP financial statements is available on the investor relations section of our website (at investors.solarcity.com).

A representation of the total value created by PowerCo and DevCo in the quarterly period, Economic Value Creation (EVC) is the incremental net present value created for our equity shareholders from our Q3 2015 deployments after debt. Driven largely by the increase in MW Deployed and lower costs, our Q3 2015 forecast for EVC grew 22% quarter-over-quarter to $239 million, or $1.21/W for a year-to-date total through the first three quarters of 2015 of $582 million, or $1.15 per Watt. The Unlevered IRR on our Q3 2015 deployments is forecast at 12%.

* * *

Q3 2015 GAAP Operating Results

For Q3 2015, our GAAP results were in line with the guidance we provided at the end of last quarter after adjusting for one-time items. GAAP revenue increased 95% year-over-year to the high end of our guidance at $113.9 million, driven by increased installations and high system performance in our seasonally strong Q3. GAAP gross margin was 22% and was impacted by a non-cash impact of $17.8 million due to the MyPower warranty which is recorded at the time of sale. Adjusting for this non-cash adjustment, solar energy system sale gross margin would have been 14% and consolidated gross margin 38%. Total operating expenses of $216.4 million were within the range of our guidance and included $27.3 million of non-cash stock-based compensation and amortization of intangibles. In Q3, Other Expenses were impacted by a $12.3 million non-cash fair value impact for a hedge, which we do not include in our guidance given the unpredictability in forecasting. Excluding the $17.8 million MyPower warranty and the $12.3 million loss on hedges, Non-GAAP EPS loss was ($2.10).

Q4 2015 Guidance

Based on our monthly installation run rate exiting the quarter and the growth in residential capacity we have already experienced in October, we are estimating installations of 280 to 300 MW in the fourth quarter. This would represent year-over-year growth of 58%-69% and would translate into full-year 2015 installations of 878-898 MW. This is below the low end of our prior annual guidance as we are cognizant of the inherent uncertainty in the record amount of commercial installations we have planned in December, particularly in light of potential weather-related disruptions and the holiday season.

For Q4 2015 GAAP revenue guidance, we expect ***Operating Lease and Solar Energy Systems Incentive Revenue*** of $70 million – $76 million, up 48% year-over-year at the midpoint, though representing the typical seasonal quarter-over-quarter decline as we head into the fall months. ***Solar Energy System and Component Sale Revenue*** is expected to range between $30 million and $32 million.

Operating Lease and Solar Energy Systems Incentive Gross Margin is expected to range between 30% - 32% (or 35% - 37% excluding the impact of approximately $4 million in amortization of intangibles). We expect ***Operating Expenses*** of $245 million – $260 million (including between $30 million and $32 million in non-cash amortization of intangibles and stock compensation expense). In turn, ***Non-GAAP Loss Per Share (before Income (Loss) Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests)**** is expected to range between ($2.60) – ($2.75).

2016 Focus and Guidance

Going forward we are focusing our strategy on cost reductions and cash flow. Though we expect our deployments to grow in 2016 we are not targeting the same growth rates that have gotten us to our current scale going forward. Specifically it is our goal to achieve positive cash flow by 2016 year-end and be in solid shape prior to the planned ITC expiration in 2017. We expect to continue to lead the industry in MW Installed with the lowest costs and strong returns, and we expect GAAP operating lease revenues to grow in excess of 70% year-over-year in 2016. In turn, we will be even more selective in the markets and projects we enter into. As such, we are introducing preliminary 2016 guidance of 1.25 GW Installed, representing a healthy year-over-year growth of approximately 41% as compared to the midpoint of our 2015 guidance. We also expect to announce meaningful reductions to our 2017 cost targets by our next earnings call. By continuing to increase our already industry-leading cost advantage, we expect to generate greater cash flow and position ourselves for continued growth that is less susceptible to competitive or regulatory developments than that of any other provider in the category.

To 1 GW and Beyond

This last quarter, we crossed a significant milestone in surpassing 1 GW in annualized installations. That's over 100 times more than we installed in 2008 when we introduced solar leases and PPAs for the first time, and almost as much residential and commercial solar as was installed in the entire United States in 2011. Representing approximately 160,000 households at our average residential system size of 6 kW, SolarCity now adds the production equivalent of a medium-sized power plant to the grid each year.

We have no plans to stop here. SolarCity currently provides more solar energy systems to Americans than its next several dozen competitors combined. We fully expect that in the coming years we will deliver more solar electricity to customers than any other provider in the world.

We can't express enough gratitude for the diligence, drive, and dutiful sacrifice of all our employees, their families, our partners, customers, and passionate supporters without which we would simply not be where we are today.

27. On October 30, 2015, SolarCity filed its Quarterly Report with the SEC on Form 10-Q for the fiscal quarter ended September 30, 2015. The Company's Form 10-Q was signed by Defendant

Rive, and reaffirmed the Company's statements regarding its operations, results, and prospects made in the investor letter issued October 29, 2015.

28. On this news, the Company's stock price fell $8.42 per share, or 22%, to close at $29.65 on October 30, 2015, on unusually heavy trading volume.

29. The above statements contained in ¶¶26-27 were materially false and/or misleading, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, these statements were false and/or misleading statements and/or failed to disclose that: (i) demand for the Company's products was weakening; (ii) the Company was concealing the weakening demand from investors; and (iii) as a result of the foregoing, Defendants' statements about SolarCity's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis.

Disclosures at the End of the Class Period

30. On February 9, 2016, SolarCity issued a shareholder letter entitled, "SolarCity Fourth Quarter 2015 Shareholder Letter." Therein, the Company, in relevant part, stated:

> Dear Fellow Shareholders:
>
> In 2015, SolarCity delivered record results in both residential and commercial MW Installed, Cost per Watt, and value creation. Moreover, we exited the year with a portfolio of 1.7 GW Deployed under Energy Contracts, generating an annualized run rate of ~2.4 TWh of energy, and operations deploying Energy Contracts at an annualized run rate over 1 GW with a Pre-Tax Unlevered NPV at a 6% discount rate of $3.64 per watt ($3.32 per watt contracted) at a cost of $2.71 per watt. We entered 2016 as the clear volume and relative cost leader of the U.S. distributed solar industry.
>
> **Solar Deployments Reach New Highs, as Costs Decline to Record Lows**
>
> - ***MW Installed:*** Record 272 MW, up 54% year-over-year
> - ***MW Deployed:*** 253 MW, up 44% year-over-year

- ***Value of MW Deployed under Energy Contracts:*** $3.64 per watt at a 6% discount rate ($3.32 per watt contracted and $0.32 per watt estimated renewal)

- ***Cost per Watt:*** $2.71 per watt, down 5% year-over-year

With new highs in both residential and commercial installations, we installed a record 272 MW in the fourth quarter of 2015, up 54% year-over-year. For the full year 2015, we installed 870 MW, growing 73% from 503 MW in 2014. Based on GTM Research/SEIA's most recent estimate for 2015 U.S. solar installations, SolarCity accounted for 35% of U.S. residential solar, 28% of U.S. distributed solar, and 12% of total U.S. solar capacity installed in 2015.

The 272 MW we installed in Q4 2015 compared to guidance of 280-300 MW, which had incorporated 15 MW of projects that were not completed by year-end, largely attributable to three large ground-mount projects in the East Coast that encountered greater challenges with terrain conditions than we had anticipated from our initial survey. All of these projects are under construction and are expected to be installed in Q1 2016. Even with this delay, commercial installations grew 82% year-over-year to 51 MW in the fourth quarter (and 139 MW for the full year). Our residential installations were also impacted by the closure of our Nevada operations in December. Residential installations grew 49% year-over-year to 221 MW (731 MW for the full year). Our top crews—Merlin and Horseshoe Crabs—installed over 400 kW and 350 kW, respectively, in the final month of the year.

As we discussed in detail in our 2015 Analyst Day presentation, the Value of MW Deployed is derived from (1) the upfront proceeds from Tax Equity Investment as well as Upfront Cash Rebates and Prepayments, plus (2) the NPV of Unlevered Project Cash Flow from customers and solar renewable energy credits (SRECs) *after* tax equity distributions, and (3) excluding the payment of income and other taxes. The Value of MW Deployed in Q4 2015 was $3.64 per watt at a 6% discount rate ($3.32 per watt contracted and $0.32 per watt from estimated renewal). Of this, $1.56 per watt was generated upfront with $2.08 per watt in forecasted NPV of Unlevered Project Cash Flow remaining. Value of MW Deployed discount rate sensitivities are provided at the end of this letter.

Cost per Watt declined to a new record low of $2.71 per watt in the fourth quarter of 2015. Benefiting from greater residential efficiencies and a larger portion of vertically-integrated commercial installations, our blended installation cost declined 9% as compared to Q4 2014 and 1% as compared to Q3 2015 to $1.90 per watt. Sales costs declined 2% as

compared to Q4 2014 and 13% as compared to Q3 2015 to $0.56 per watt, as we invested less in sales and marketing. G&A costs were $0.25 per watt, declining 7% quarter-over-quarter on cost controls and scale benefits. We remain on target for our cost goal of $2.25 per watt in 2017. The reconciliation of our cost per watt to our GAAP financial statements is available on our investor relations website (at investors.solarcity.com).

* * *

GAAP Q4 2015 Operating Results

GAAP revenue was $115 million in the fourth quarter of 2015, up 61% year-over-year, with Operating Lease and Solar Energy Incentive Revenue of $75 million (up 53% year-over-year) and Solar Energy Systems Sale Revenue of $40 million (up 77% year-over-year). Operating Lease Gross Margins were 34% (or 40% excluding non-cash amortization of intangibles). Solar Energy System Sale Gross Margins were 7%. Operating expenses were $227 million, up 68% year-over-year. Non-GAAP EPS was ($2.37) per share.

Predictable Performance of 1.7 GW PowerCo Portfolio

- ***Cumulative MW Deployed under Energy Contract:*** 1,742 MW, up 76% year-over-year

- ***Energy Production***: 1.6 terawatt-hours (TWh) in 2015

- ***Unlevered Pre-Tax NPV (Less Non-Recourse Debt)***: $2.0 billion at a 6% discount rate

Following significant investment and development in Q4 2015, our PowerCo portfolio stood at 1.7 GW (net of 0.2 GW of system sales) as of the end of the year with ~56% PPAs, ~38% leases, and ~6% MyPower loans. For the full year 2015, PowerCo's deployed portfolio produced 1.6 Terawatt-Hour (TWh) of energy, up 76% as compared to 2014. Energy Production continues to come in largely within forecast.

Delinquencies of 180+ days remain comfortably below 1%. Average FICO score for PowerCo's residential customers as of the end of 2015 was 747.

As of the end of 2015, the Pre-Tax Unlevered NPV of the Unlevered Project Cash Flow underlying our PowerCo portfolio is forecast at $3.2 billion at a 6% discount rate. Though we have historically highlighted Gross Retained Value to measure our estimated value of our unlevered cash flow stream, Retained Value represents the forecasted value of our

total Energy Contract bookings, and thus includes backlog not yet deployed. Due to the difficulty in accurately forecasting costs and financing of the backlog, we will focus solely on the Project Cash Flows and NPVs of MW Deployed going forward.

* * *

Outlook and Q1 2016 Guidance

We closed out a strong 2015 with installations growing 73% to a record 870 MW and costs falling to new lows, though we fell short of our installation goals more than once. We are not happy with these results, and recognize our need to revamp our guidance methodology to avoid any potential shortfalls going forward. Notably, residential has consistently performed above our expectations over the last year, and we missed guidance largely on commercial installations. While we had expected the introduction in mid-2015 of a new guidance methodology that incorporated only commercial projects that were already under construction to minimize risk, clearly this wasn't sufficient. With larger projects (particularly ground-mount) this methodology still leaves sufficient time for delays to push construction past deadlines. Going forward, we plan on removing from guidance any large projects with construction deadlines late in the quarter.

Looking ahead to 2016, we continue to target 1.25 GW Installed. Though the ITC extension certainly provides us with more tailwinds to growth, the primary focus of our company in 2016 is our goal of generating positive cash by year-end. As we highlighted in last quarter's shareholder letter, the primary focus of the company is on cash generation, with growth our secondary focus. Though we are projecting a lower rate of growth in 2016 than in years past, our guidance still implies over 40% annual growth in 2016, a rate of growth that would be the envy of most industries and companies in this country.

Our long-term vision is to lead the way in driving distributed solar to a plurality of U.S. (and ultimately global) electricity generation. Such an ambitious goal will likely take decades, and we simply will not be able to accomplish it unless we begin generating positive cash. Our goal entails achieving a state where we can self-sustainably install new MW without cash balance declining (including project finance such as tax equity and non-recourse debt). The first step is to take out an additional $0.40/W+ out of our cost structure, a plan we laid out in our December 2015 Analyst Day. The second step involves increasing the velocity, magnitude and degree of monetization of our assets. Our recent securitization of MyPower loans along with the syndicated 5-year non-recourse debt facility are good first steps, but we believe the key will be the cash equity monetization of up to 100% of the contracted value of a portion of our

> new assets with no (or much lower) debt. We expect to have an update on this strategic initiative soon. Stay tuned.
>
> For Q1 2016 we expect to install 180 MW, representing growth of 18% year-over-year, and a 34% decline as compared to Q4 2015. This represents a higher-than-usual seasonal slowdown that we have historically experienced after strong fourth quarters largely owing to two reasons. First is the impact of our decision to end Nevada operations in December 2015; NV contributed 23 MW in Q4 2015. It also reflects our renewed focus on our cash conversion cycle, particularly in longer lead-time commercial projects. While the ultimate result will be shorter time from the start of construction to operation and thus higher cash generation, the initial impact is lower installations in the first period implemented. We expect installations—and cash generation—to ramp throughout 2016.
>
> For Q1 2016, we also expect GAAP ***Operating Expenses*** of $230 million – $240 million (including between $30 million and $32 million in non-cash amortization of intangibles and stock compensation expense) and ***Non-GAAP Loss Per Share (before Income (Loss) Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests)**** between ($2.55) – ($2.65).

31. On February 10, 2016, SolarCity filed its Annual Report with the SEC on Form 10-K for the fiscal year ended December 31, 2015. The Company's Form 10-K was signed by Defendant Rive, and reaffirmed the Company's statements regarding its operations, results, and prospects made in the investor letter issued February 9, 2016. In the 10-K, the Company also stated that "[t]hough we have historically reported nominal contracted payments as a representation of the growth in our operations and the value of our energy contracts, we have decided not to report our undeployed backlog of contracts as a value in this manner and will no longer be reporting this amount." The Company also reported in the 10-K cumulative energy contracts quarter-to-quarter growth and cumulative customer quarter-to-quarter growth that fell below the Company's recent trend.

32. On this news, the Company's stock price fell $7.72 per share, or 29%, to close at $18.63 on February 10, 2016, on unusually heavy trading volume.

CLASS ACTION ALLEGATIONS

33. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that acquired SolarCity securities between May 5, 2015, and February 9, 2016, inclusive, and who were damaged thereby (the “Class”). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants have or had a controlling interest.

34. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, SolarCity’s common stock actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds or thousands of members in the proposed Class. Millions of SolarCity shares were traded publicly during the Class Period on the NASDAQ. As of January 31, 2016, SolarCity had 97,913,107 shares of common stock outstanding. Record owners and other members of the Class may be identified from records maintained by SolarCity or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

35. Plaintiff’s claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants’ wrongful conduct in violation of federal law that is complained of herein.

36. Plaintiff will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation.

37. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of SolarCity; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

38. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

UNDISCLOSED ADVERSE FACTS

39. The market for SolarCity's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, SolarCity's securities traded at artificially inflated prices during the Class Period. Members of the Class purchased or otherwise acquired SolarCity's securities relying upon the integrity of the market price of the Company's securities and market information relating to SolarCity, and have been damaged thereby.

40. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of SolarCity's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. The statements and omissions were materially false and/or misleading

because they failed to disclose material adverse information and/or misrepresented the truth about SolarCity's business, operations, and prospects as alleged herein.

41. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of damages. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about SolarCity's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein when the truth was revealed.

LOSS CAUSATION

42. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

43. During the Class Period, the Class purchased SolarCity's securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

SCIENTER ALLEGATIONS

44. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or

dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding SolarCity, his/her control over, and/or receipt and/or modification of SolarCity's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning SolarCity, participated in the fraudulent scheme alleged herein.

APPLICABILITY OF PRESUMPTION OF RELIANCE
(FRAUD-ON-THE-MARKET DOCTRINE)

45. The market for SolarCity's securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, SolarCity's securities traded at artificially inflated prices during the Class Period. On May 14, 2015, the Company's stock price closed at a Class Period high of $62.72 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of SolarCity's securities and market information relating to SolarCity, and have been damaged thereby.

46. During the Class Period, the artificial inflation of SolarCity's stock was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the cognizable damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about SolarCity's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of SolarCity and its business, operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company stock. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the

Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

47. At all relevant times, the market for SolarCity's securities was an efficient market for the following reasons, among others:

(a) SolarCity stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, SolarCity filed periodic public reports with the SEC and/or the NASDAQ;

(c) SolarCity regularly communicated with public investors *via* established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) SolarCity was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

48. As a result of the foregoing, the market for SolarCity's securities promptly digested current information regarding SolarCity from all publicly available sources and reflected such information in SolarCity's stock price. Under these circumstances, all purchasers of SolarCity's securities during the Class Period suffered similar injury through their purchase of SolarCity's securities at artificially inflated prices and a presumption of reliance applies.

49. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded on Defendants' material misstatements and/or

omissions. Because this action involves Defendants' failure to disclose material adverse information regarding the Company's business operations and financial prospects—information that Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered them important in making investment decisions. Given the importance of the Class Period material misstatements and omissions set forth above, that requirement is satisfied here.

NO SAFE HARBOR

50. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as "forward-looking statements" when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of SolarCity who knew that the statement was false when made.

FIRST CLAIM
Violation of Section 10(b) of the Exchange Act and
Rule 10b-5 Promulgated Thereunder
Against All Defendants

51. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

52. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase SolarCity's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

53. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for SolarCity's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

54. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about SolarCity's financial well-being and prospects, as specified herein.

55. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of SolarCity's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about SolarCity and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and

engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

56. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

57. The defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing SolarCity's financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by

deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

58. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of SolarCity's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired SolarCity's securities at artificially high prices and were damaged thereby.

59. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true.

60. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

61. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities.

SECOND CLAIM
Violation of Section 20(a) of the Exchange Act
Against the Individual Defendants

62. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

63. The Individual Defendants acted as controlling persons of SolarCity within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their

ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

64. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

65. As set forth above, SolarCity and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

A. Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: October 7, 2016

Respectfully submitted,

POMERANTZ LLP

By: */s/ Jennifer Pafiti*___
Jennifer Pafiti (SBN 282790)
468 North Camden Drive
Beverly Hills, CA 90210
Telephone: (818) 532-6499
E-mail: jpafiti@pomlaw.com

POMERANTZ, LLP
Jeremy A. Lieberman
J. Alexander Hood II
600 Third Avenue, 20th Floor
New York, New York 10016
Telephone: (212) 661-1100
Facsimile: (212) 661-8665
E-mail: jalieberman@pomlaw.com
E-mail: ahood@pomlaw.com

POMERANTZ LLP
Patrick V. Dahlstrom
Ten South La Salle Street, Suite 3505
Chicago, Illinois 60603
Telephone: (312) 377-1181
Facsimile: (312) 377-1184
E-mail: pdahlstrom@pomlaw.com

BRONSTEIN, GEWIRTZ

& GROSSMAN, LLC
Peretz Bronstein
60 East 42nd Street, Suite 4600
New York, NY 10165
Telephone: (212) 697-6484
Facsimile (212) 697-7296
Email: peretz@bgandg.com

Attorneys for Plaintiff